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PSC RULES ON REHEARING IN LG&E/KU RATE CASES

Cases put on hold to allow attorney general to submit report

FRANKFORT, Ky. (August 12, 2004) - The Kentucky Public Service Commission (PSC) today issued two orders regarding the rate increases granted to the Louisville Gas & Electric Company (LG&E) and the Kentucky Utilities Company (KU).

The PSC granted the Kentucky Office of the Attorney General's request that the cases be held in abeyance to allow the attorney general time to file a report on his investigation into the PSC's handling of the rate cases. The PSC also granted in part the attorney general's motion for a rehearing on certain technical issues.

The PSC granted the attorney general until October 12, 2004, to file his report. The Commission requested that the report be sufficiently detailed to enable the PSC to determine whether any improprieties had occurred and that it include the attorney general's recommendations on what actions, if any, the PSC should take in response to the report.

"The PSC is determined to preserve the integrity of the ratemaking process and to ensure that Kentucky consumers and utilities alike are the beneficiaries of fair and balanced decisions by the Commission," PSC Chairman Mark David Goss said.

"For that reason the PSC is working with the attorney general to determine whether any improprieties occurred in the LG&E and KU cases," Goss said. "If any such improprieties are uncovered the Commission has vowed to take immediate and appropriate action to address the problems and to ensure that they do not recur."

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In orders issued June 30, 2004, the PSC granted rate increases to LG&E and KU. The PSC reopened the cases on July 15, 2004, after the attorney general alleged that there were improper contacts between PSC employees and employees of the two utilities and collusion in the negotiation of a partial settlement in the case.

The attorney general, in a separate motion, asked the PSC to reconsider several technical issues in the rate cases. In the second order issued today, the PSC agreed to rehear a Kentucky income tax issue, but denied rehearing on three issues regarding the calculation of the companies' depreciation expenses.

LG&E and KU are both subsidiaries of LG&E Energy LLC. LG&E has about 384,000 electric customers and nearly 312,000 natural gas customers in 16 counties in the Louisville area. KU serves about 477,000 customers in 77 Kentucky counties.

Today's orders, as well as earlier orders, related case documents and videos of hearings in the case, are posted on the PSC Web site, which is psc.ky.gov. The case numbers are 2003-00433 (LG&E) and 2003-00434 (KU).

The PSC is an agency within the Environmental and Public Protection Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in the Commonwealth of Kentucky. The PSC has approximately 110 employees.